

## AUDITING PROCEDURES REPORT

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Local Government Type [ ] City [ ] Township [ ] Village [ x ] Other		Local Government Name Cass County Road Commission		County Cass	
Audit Date 9/30/05		Opinion Date 12/9/05		Date Accountant Report Submitted to State: 3/1/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

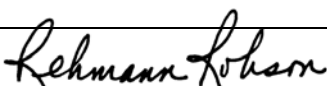
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |       |     |       |    |    |  |
|-------|-----|-------|----|----|--|
| [ ]   | Yes | [ x ] | No | 1. | Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| [ ]   | Yes | [ x ] | No | 2. | There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| [ x ] | Yes | [ ]   | No | 3. | There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| [ ]   | Yes | [ x ] | No | 4. | The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| [ ]   | Yes | [ x ] | No | 5. | The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| [ ]   | Yes | [ x ] | No | 6. | The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| [ ]   | Yes | [ x ] | No | 7. | The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [ ]   | Yes | [ x ] | No | 8. | The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| [ ]   | Yes | [ x ] | No | 9. | The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

# **CASS COUNTY ROAD COMMISSION**

**(a Component Unit of Cass County)**

**Cassopolis, Michigan**

## **FINANCIAL STATEMENTS**

**For The Nine Months Ended September 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

**CASS COUNTY ROAD COMMISSION**  
**(a Component Unit of Cass County)**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

December 9, 2005

Members of the Board of County  
Road Commissioners  
County of Cass, Michigan  
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of the **CASS COUNTY ROAD COMMISSION**, a component unit of Cass County, Michigan, as of and for the nine month period ended September 30, 2005, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Cass County Road Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the **Cass County Road Commission** as of September 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the general operating fund and the parks fund for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the Road Commission's basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **Cass County Road Commission**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohorn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cass County Road Commission, we offer the readers of the Road Commission's financial statement this narrative overview and analysis of the financial activities of the Road Commission for the nine months ended September 30, 2005

### Financial Highlights

This is the second year of reporting as provided in Statement No. 34 as directed by the Governmental Accounting Standards Board (GASB). The GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority of GAAP for state and local governments. Reporting as provided in Statement No. 34 reflects the inclusion of the value of "Infrastructure" in the county of Cass. Infrastructure as defined by GASB 34 includes the cost of bridges (spans of over 20'), gravel roads, paved roads, construction of roads and traffic signals, less the applicable depreciation.

Net assets may, over time, enable governmental agencies to determine their overall fiscal position. The Road Commission's net assets exceeded liabilities by \$31,904,984 at the end of the 2005 fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net assets and general fund balance sheet on a single page and the statement of activities and general fund revenues, expenditures and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Statements

The statement of net assets presents information on all the Commission's assets and liabilities, with the difference between the two report *as net assets*. Over time, increases or decreases in net assets may serve as an indicator of the Commission's overall fiscal position.

The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the component unit financial statements distinguish the function of the Commission which is primarily supported by state shared revenues (operating grants). The governmental activities of the Commission include providing construction, repair, maintenance and snow removal of primary and local roads, local roadside parks and Dodd park within Cass County, as well as the operation of parks owned by the County of Cass.

The government-wide financial statements include the Commission (General Operating) and the County Park funds. In this report, financial information for the Commission is reported separately from the financial information presented for Cass County which reports the Commission as a component unit.

**Fund financial statements.** A *fund* is grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Commission is accounted for in a governmental fund (General Fund) and the activity of the county owned parks is accounted for in the special revenue fund (Parks).

**Governmental funds.** *Governmental funds* are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statement's it is useful to compare the information presented for the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the general fund and the government-wide statements.

The Commission maintains two government funds (the General Operating Fund and the Parks Fund). Information is presented in the governmental funds balance sheet and in the general fund statement of revenues, expenditures, and changes in fund balances. The General Operating and the Parks funds are major funds for financial reporting purposes as defined by GASB Statement #34.

The Commission adopts an annual appropriated budget for the general fund and park fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The Commission does not maintain proprietary nor fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding for the data provided in the commission's financial statements.



**Other information.** In addition to the basic financial statements and accompanying notes, this report also present certain *required supplementary information*. This is limited to this management discussion and analysis.

Comparative analysis of the government-wide data is presented in this report with the previous fiscal period's data. It should be noted that the 2004 fiscal year covered a period of 12 months, whereas the 2005 period covered a period of nine months, due to the County of Cass (including its component units) opting to change its fiscal reporting period to a year ending September 30<sup>th</sup>.

<b>Condensed Statement of Net Assets:</b>	<b>2004</b>	<b>2005</b>
<b>Assets</b>		
Current and other assets	\$ 3,078,218	\$ 2,587,412
Capital assets	<u>36,054,481</u>	<u>37,791,392</u>
<b>Total assets</b>	<b>39,132,699</b>	<b>40,378,804</b>
<b>Liabilities</b>		
Long-term liabilities outstanding	7,932,671	7,929,563
Other liabilities	<u>485,904</u>	<u>544,257</u>
<b>Total liabilities</b>	<b>8,418,575</b>	<b>8,473,820</b>
<b>Net assets:</b>		
Invested in capital assets	28,204,759	30,001,392
Unrestricted	<u>2,509,365</u>	<u>1,903,592</u>
<b>Total net assets</b>	<b><u>\$30,714,124</u></b>	<b><u>\$31,904,984</u></b>

	2004	2005
<b>Condensed Statement of Activities:</b>		
<b>Revenue</b>		
Charges for services	\$ 1,650,983	\$ 1,955,788
Operating grants and contributions	5,832,623	4,359,536
Capital grants and contributions	108,705	-
Interest revenue	<u>31,264</u>	<u>29,769</u>
<b>Total revenue</b>	<b>7,623,575</b>	<b>6,345,093</b>
<b>Expenses</b>		
Public Works	6,038,280	4,905,386
Debt Service - Interest only	<u>336,464</u>	<u>248,847</u>
<b>Total expenses</b>	<b><u>6,374,744</u></b>	<b><u>5,154,233</u></b>
<b>Increase in Net Assets</b>	<b><u>\$ 1,248,831</u></b>	<b><u>\$1,190,860</u></b>

Most of the change in asset increases in both years can be attributed to capital outlay and infrastructure additions (which increase net assets) exceeding depreciation expense (which decreases net assets).

#### **Capital Assets and Debt Administration**

	2004	2005
<b>Capital Assets</b>		
Land - not depreciated	\$ 92,146	\$ 476,756
Infrastructure (Land improvements not depreciated)	<u>9,134,127</u>	<u>10,155,841</u>
<b>Sub-total</b>	<b><u>9,226,273</u></b>	<b><u>10,632,597</u></b>
Land improvements (depreciated)	622,133	652,473
Buildings	7,492,364	7,488,362
Road equipment	7,707,643	7,832,494
Shop equipment	205,774	200,965
Office equipment	149,808	150,114
Engineering equipment	46,893	48,829
Yard & Storage equipment	137,808	153,954
Depletable assets	82,422	78,484
Infrastructure	<u>38,088,787</u>	<u>39,797,220</u>
<b>Sub-total</b>	<b>54,533,632</b>	<b>56,402,895</b>

	2004	2005
<b>Accumulated Depreciation</b>		
Land improvements (depreciated)	137,352	188,003
Buildings and improvements	612,715	844,391
Equipment	6,627,374	6,774,272
Depletable assets	79,100	76,662
Infrastructure	<u>20,248,883</u>	<u>21,360,722</u>
<b>Total accumulated depreciation</b>	<b><u>26,705,424</u></b>	<b><u>29,244,100</u></b>
<b>Total capital assets being depreciated – net</b>	<b><u>26,516,188</u></b>	<b><u>27,158,795</u></b>
<b>Governmental activities capital assets - net</b>	<b><u>\$36,054,481</u></b>	<b><u>\$37,791,392</u></b>

In 2005, the Road Commission added approximately \$3,557,000 in capital outlay and infrastructure which increased the net capital asset balance. Depreciation for 2005 was approximately \$1,784,000, of which approximately \$1,112,000 was depreciation of infrastructure.

#### **Long-term Debt**

Bonds Payable	\$ 7,790,000	\$ 7,790,000
Compensated absences	<u>142,671</u>	<u>139,563</u>
<b>Total</b>	<b><u>\$ 7,932,671</u></b>	<b><u>\$ 7,929,563</u></b>

No additional bonded indebtedness was added in 2005.

#### **Economic Factors and Road Fund Budgetary Highlights**

The Road Commission amended its FY 2005 budget during the year to reflect revenues from the sale of Federal Aid Dollars to MDOT and the Road Commission of Oakland County to fund road projects and State Turnback monies for the maintenance of Old Highway 205. Revenues were also increased to reflect the additional accrual of August and September 2005 Motor Transportation Funds (MTF) as required by GASB Statement 34. Expenditures were changed to reflect increased costs for health insurance, other operating costs, and a decrease in allocation of MTF Funds due to state transfers to the Secretary of State office. The overall increase in the fuel and energy sector costs affected the budget and will continue if these costs continue to rise at the present rates. Expenditures exceeded revenues \$626,280 in the general fund.

### **Other budgetary amendments made in 2005:**

- To reflect design costs for the intersection of M-62 and Redfield Street.
- Primary and local accounts for preservation were reduced and preventative maintenance increased to reflect MDOT classification changes concerning Chip and Seal applications.
- Additional purchases of a self propelled elevated loader, and the installation of an emergency fueling station was deemed to be prudent. Purchases of two (2) tandem axle trucks were decreased and shifted to the FY 2006 budget due to equipment delivery restrictions by suppliers. Purchase of a new oil burner system for the asphalt plant was postponed. Other capital outlay included replacement of the wet scrubber at the asphalt plant, replacement of one loader, and replacement of the radio repeater system, as well as completion of various items relating to the main administrative and service complex.
- Drain assessments were increased due to the Hilltop Drain project in Porter Township.
- Township projects were decreased in total, and it is anticipated that reduced levels of township projects will continue in FY 2006.
- To reflect costs for new subdivision construction associated with new public roads by private entities.
- Capital outlay for the purchase of a new gravel pit was reduced to reflect a multi-year purchase agreement with the sellers.
- To reflect various cost adjustments associated with the new fiscal year period.
- Primary and local winter costs were increase due to extended periods of cold spring weather, and the effect of the spring thaw on local gravel roads. The budget increase for these accounts totaled \$166,069. Primary and local traffic costs were increased due to increased costs in materials and fuel. The budget increase for these accounts totaled \$45,250. Primary and local budget costs for tree removal was decreased in these accounts a total of \$237,500.

The 2005 fiscal period for the Road Commission was from January 1 to September 30 in order to comply with the requirement (as a component unit of the County of Cass) of changing fiscal period to coincide with the change made by the county. All years thereafter will have a fiscal period from October 1 to September 30.

For FY 2006, MTF funds will reflect revenue from October to September as required by GASB Statement 34. If the general economic slowdown results in decreased MTF funds, the appropriate adjustments will be made to the budget.

**Requests for information**

This financial report is designed to provide a general overview of Commission finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Cass County Road Commission, PO Box 68, Cassopolis MI 49031.

## **BASIC FINANCIAL STATEMENTS**

# CASS COUNTY ROAD COMMISSION

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2005

	Major Funds		Total		
	General	Parks	Governmental	Adjustments	Statement
ASSETS	Operating		Funds		of Net Assets
Cash and cash equivalents	\$ 687,399	\$ 299,708	\$ 987,107	\$ -	\$ 987,107
Accounts receivable					
Motor vehicle highway funds	781,468	-	781,468	-	781,468
Due on county road agreements	6,817	-	6,817	-	6,817
Other	20,125		20,125	-	20,125
Due from other funds	-	12,318	12,318		12,318
Inventories					
Road materials	261,170	-	261,170	-	261,170
Equipment material and parts	176,481	-	176,481	-	176,481
Prepaid items	341,926	-	341,926	-	341,926
Capital assets					
Assets not being depreciated	-	-	-	10,632,597	10,632,597
Assets being depreciated	-	-	-	27,158,795	27,158,795
<b>Total assets</b>	<b>\$ 2,275,386</b>	<b>\$ 312,026</b>	<b>\$ 2,587,412</b>	<b>37,791,392</b>	<b>40,378,804</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 241,536	1,518	\$ 243,054	-	243,054
Accrued liabilities	51,907	571	52,478	-	52,478
Advances from townships	45,016	-	45,016	-	45,016
Escrow deposits	12,146	179,245	191,391	-	191,391
Due to other funds	12,318		12,318	-	12,318
Long-term liabilities					
Due within one year	-	-	-	256,000	256,000
Due after one year	-	-	-	7,673,563	7,673,563
<b>Total liabilities</b>	<b>362,923</b>	<b>181,334</b>	<b>544,257</b>	<b>7,929,563</b>	<b>8,473,820</b>
<b>Fund Balance/Net Assets</b>					
Fund balance					
Reserved for					
Inventories	437,651	-	437,651	(437,651)	-
Prepaid items	341,926	-	341,926	(341,926)	-
Unreserved,					
Undesignated	1,132,886	130,692	1,263,578	(1,263,578)	-
<b>Total fund balance</b>	<b>1,912,463</b>	<b>130,692</b>	<b>2,043,155</b>	<b>(2,043,155)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,275,386</b>	<b>\$ 312,026</b>	<b>\$ 2,587,412</b>		
<b>Net Assets:</b>					
Investment in capital assets, net of related debt				30,001,392	30,001,392
Unrestricted				1,903,592	1,903,592
<b>Total net assets</b>				<b>\$ 31,904,984</b>	<b>\$ 31,904,984</b>

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

SEPTEMBER 30, 2005

Fund balances - governmental funds	\$ 2,043,155
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,791,392
Long - term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(7,790,000)
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	
Deduct - compensated absences payable	<u>(139,563)</u>
Net assets of governmental activities	<u><u>\$ 31,904,984</u></u>

The accompanying notes are an integral part of these financial statements.



# CASS COUNTY ROAD COMMISSION

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	<u>Major Funds</u>		<u>Total</u>		
	<u>General</u>	<u>Parks</u>	<u>Governmental</u>	<u>Adjustments</u>	<u>Statement of</u>
<b>EXPENDITURES/EXPENSES</b>	<b>Operating</b>		<b>Funds</b>		<b>Activities</b>
Current:					
Public works	\$ 6,565,739	\$ 79,666	\$ 6,645,405	\$ (1,740,019)	\$ 4,905,386
Debt service:					
Interest	331,796	-	331,796	(82,949)	248,847
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>6,897,535</b>	<b>79,666</b>	<b>6,977,201</b>	<b>(1,822,968)</b>	<b>5,154,233</b>
<b>PROGRAM REVENUES</b>					
Charges for services	1,947,026	8,762	1,955,788	-	1,955,788
Operating grants and contributions	4,297,286	62,250	4,359,536	-	4,359,536
<b>TOTAL PROGRAM REVENUES</b>	<b>6,244,312</b>	<b>71,012</b>	<b>6,315,324</b>	<b>-</b>	<b>6,315,324</b>
<b>NET PROGRAM REVENUES (EXPENSES)</b>					<b>1,161,091</b>
<b>GENERAL REVENUES</b>					
Interest revenue	26,943	2,826	29,769	-	29,769
<b>NET CHANGE IN FUND BALANCES</b>	<b>(626,280)</b>	<b>(5,828)</b>	<b>(632,108)</b>	<b>632,108</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>				<b>1,190,860</b>	<b>1,190,860</b>
FUND BALANCE/NET ASSETS,					
Beginning of year, as restated	2,538,743	136,520	2,675,263	28,038,861	30,714,124
<b>FUND BALANCE/NET ASSETS, End of year</b>	<b>\$ 1,912,463</b>	<b>\$ 130,692</b>	<b>\$ 2,043,155</b>	<b>\$ 29,861,829</b>	<b>\$ 31,904,984</b>

The accompanying notes are an integral part of these financial statements.

## CASS COUNTY ROAD COMMISSION

### Reconciliation of the Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

Net change in fund balances - governmental funds	\$ (632,108)
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Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	1,790,243
Add - Infrastructure additions	1,767,156
Deduct - depreciation expense	(1,784,417)

Interest expense is recorded in the statement of activities when a liability is incurred; it is reported in the funds only when payment is due.	82,949
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Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Equipment retirements	(36,071)
Decrease in compensated absences	3,108

Change in net assets of governmental activities	<u>\$ 1,190,860</u>
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The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL OPERATING FUND

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE				
Permits	\$ 18,750	\$ 18,750	\$ 26,934	\$ 8,184
Intergovernmental:				
State sources	3,809,779	3,800,762	4,206,858	406,096
Local sources	1,020,600	1,687,057	1,898,368	211,311
Charges for services	6,000	9,625	7,467	(2,158)
Interest	18,600	23,000	26,943	3,943
Other	99,752	101,398	104,685	3,287
	<u>4,973,481</u>	<u>5,640,592</u>	<u>6,271,255</u>	<u>630,663</u>
TOTAL REVENUE				
EXPENDITURES				
Current:				
Construction	20,000	1,028,600	1,200,323	171,723
Primary heavy maintenance	714,207	680,000	667,613	(12,387)
Local heavy maintenance	1,000,000	900,000	862,209	(37,791)
Primary maintenance	802,850	1,103,604	1,102,554	(1,050)
Local maintenance	1,723,875	1,835,590	1,916,370	80,780
Equipment - net	(137,250)	(207,689)	(199,647)	8,042
Administrative - net	459,800	468,630	467,503	(1,127)
Traffic control	204,750	250,000	245,477	(4,523)
Other	140,271	157,358	184,683	27,325
Capital outlay - net	753,125	133,125	118,654	(14,471)
Debt service	276,511	166,000	331,796	165,796
	<u>5,958,139</u>	<u>6,515,218</u>	<u>6,897,535</u>	<u>382,317</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCE	(984,658)	(874,626)	(626,280)	248,346
FUND BALANCE, Beginning of year, as restated	<u>2,538,743</u>	<u>2,538,743</u>	<u>2,538,743</u>	<u>-</u>
FUND BALANCE, End of year	<u><b>\$ 1,554,085</b></u>	<u><b>\$ 1,664,117</b></u>	<u><b>\$ 1,912,463</b></u>	<u><b>\$ 248,346</b></u>

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PARKS FUND

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE				
Intergovernmental:				
Local sources	\$ 62,250	\$ 62,250	\$ 62,250	\$ -
State sources	34,000	-		
Charges for services	12,624	10,059	8,762	(1,297)
Interest	400	-	2,826	2,826
	<u>109,274</u>	<u>72,309</u>	<u>73,838</u>	<u>1,529</u>
TOTAL REVENUE				
EXPENDITURES				
Current:				
Public works	<u>135,800</u>	<u>83,723</u>	<u>79,666</u>	<u>(4,057)</u>
NET CHANGE IN FUND BALANCE	(26,526)	(11,414)	(5,828)	5,586
FUND BALANCE, Beginning of year	<u>136,520</u>	<u>136,520</u>	<u>136,520</u>	<u>-</u>
FUND BALANCE, End of year	<u><u>\$ 109,994</u></u>	<u><u>\$ 125,106</u></u>	<u><u>\$ 130,692</u></u>	<u><u>\$ 5,586</u></u>

The accompanying notes are an integral part of these financial statements.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cass County Road Commission (the “Road Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

#### **Reporting Entity**

The Cass County Road Commission, referred to as the Road Commission, is a discrete component unit of the County of Cass, Michigan. The Road Commission was established pursuant to the county road law (MCL 224.1), and is governed by a three member Board of County Road Commissioners appointed by the County Board of Commissioners.

The criteria established by the Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity”, for determining the reporting entity includes having significant financial or operational relationships. Based on the above criteria, these financial statements present the Cass County Road Commission, a discretely presented component unit of Cass County, and include the Road Commission General Operating Fund and Parks Fund.

The Road Commission General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners has responsibility for the administration of the Road Commission’s General Operating Fund.

#### **Basis of Presentation**

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Road Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Measurement Focus Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements (statement of net assets and the statement of activity) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

State and grant revenue, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The *parks fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for park operations.

### **Budgetary Data**

All governmental funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved or as amended by the Board of County Road Commissioners. Budgets for the General Operating and Special Revenue Funds are adopted on a functional basis. Excess expenditures over budget at this level are disclosed on the Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – for the general fund.

### **Cash and Cash Equivalents**

Amounts reported as cash and cash equivalents include bank deposits.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Inventory**

Inventory consists of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of fair value.

### **Prepaid Items**

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.

### **Fund Balance Reservations**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation.

### **Capital Assets**

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items) are reported in the government-wide statements. The Road Commission defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

<b><u>Asset Category</u></b>	<b><u>Useful Life in Years</u></b>
Buildings and improvements	40
Equipment	5 to 10
Infrastructure	8 to 50

### **Deferred Compensation Plan**

The Road Commission offers its employees a deferred compensation plan created in accordance with IRS section 457. The plan, available to all Commission employees, permits them to defer a portion of their current salary until future years. A trust has been established for the plan assets and the related assets and liability are not included in the Road Commission's financial statements.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Significant bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums, discounts, and issuance costs on a prospective basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Compensated Absences**

Full-time Road Commission employees are granted vacation pay in varying amounts based on length of service. A maximum vacation time of thirty (30) days may be accumulated and allowed to be carried over for hourly employees. Salaried employees are not allowed to carry over vacation hours. Accumulated unpaid vacation pay amounts are 100% vested and are accrued when incurred in the government-wide financial statements. Additionally, full-time employees are entitled one day sick pay per month worked. Effective July 1, 1995, any employee who has an accumulation of more than thirty (30) sick days at September 30, shall be paid (50) percent for those sick days in excess of 30.

Payment will be made the first pay date in July using the employee's hourly pay rate in effect at September 30 of that year. Upon retirement, the employee shall receive fifty (50) percent of accumulated sick days. If an employee dies in the course of employment, the designated beneficiary of the deceased receives 100% of accumulated sick days. There is no liability for terminations other than retirement or death.



# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 2. CASH DEPOSITS AND INVESTMENTS

#### Deposits

At September 30, 2005, the amount of the Road Commission's deposits were as follows:

Petty cash	\$ 1,000
Bank deposits (checking and savings accounts)	120,160
Held by Cass County (bank deposits, including checking accounts and certificates of deposit)	<u>865,947</u>
	<u><b>\$ 987,107</b></u>

Statutes authorize the Road Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

#### Deposits and investments

The Road Commission chooses to disclose its investments by specifically identifying each. As of year end, the Road Commission had the following deposits and investments.

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank deposits	n/a	<u>\$ 986,107</u>	n/a

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The Road Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Road Commission has no investments at September 30, 2005.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Road Commission's investment policy does not have specific limits in excess of state law on investment credit risk. The Road Commission has no investments at September 30, 2005.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. As of September 30, 2005, \$217,239 of the Road Commission's bank balance of \$317,239 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits in the amount of \$860,855 held by Cass County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Road Commission.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Road Commission does not have a policy for investment custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Road Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Road Commission has no investments at September 30, 2005.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### 3. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Balance January 1, 2005	Reclassifications and Adjustments	Additions	Deductions	Balance September 30, 2005
<b>Capital assets not being depreciated:</b>					
Land	\$ 92,146	\$ -	\$ 384,610	\$ -	\$ 476,756
Infrastructure - land improvements	9,591,451	(457,324)	1,021,714	-	10,155,841
<b>Total capital assets not being depreciated - net</b>	<b>9,683,597</b>	<b>(457,324)</b>	<b>1,406,324</b>	<b>-</b>	<b>10,632,597</b>
<b>Capital assets being depreciated:</b>					
Land improvements	622,132	-	30,341	-	652,473
Buildings and improvements	7,492,362	-	(4,000)	-	7,488,362
Road equipment	7,707,644	-	382,836	257,986	7,832,494
Shop equipment	205,774	-	1,523	6,332	200,965
Office equipment	149,808	-	306	-	150,114
Engineers' equipment	46,893	-	1,936	-	48,829
Yard and storage	137,808	-	29,702	13,556	153,954
Depleteable assets	82,422	-	-	3,938	78,484
Infrastructure	38,953,264	(864,475)	1,708,431	-	39,797,220
<b>Subtotal</b>	<b>55,398,107</b>	<b>(864,475)</b>	<b>2,151,075</b>	<b>281,812</b>	<b>56,402,895</b>
<b>Accumulated depreciation and depletion:</b>					
Land improvements	137,352	-	50,651	-	188,003
Buildings and improvements	612,715	-	231,676	-	844,391
Equipment	6,627,374	-	390,201	243,303	6,774,272
Depleteable assets	79,100	-	-	2,438	76,662
Infrastructure	21,258,660	(1,009,777)	1,111,889	-	21,360,772
<b>Total accumulated depreciation and depletion</b>	<b>28,715,201</b>	<b>(1,009,777)</b>	<b>1,784,417</b>	<b>245,741</b>	<b>29,244,100</b>
<b>Total capital assets being depreciated - net</b>	<b>26,682,906</b>	<b>145,302</b>	<b>366,658</b>	<b>36,071</b>	<b>27,158,795</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 36,366,503</b>	<b>\$ (312,022)</b>	<b>\$ 1,772,982</b>	<b>\$ 36,071</b>	<b>\$ 37,791,392</b>

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### 4. LONG-TERM DEBT

Long-term debt of the Road Commission consists of the following:

	Balance January 1, 2005	Increases	(Decreases)	Balance September 30, 2005	Due Within One Year
Bonds payable	\$7,790,000	\$ -	\$ -	\$7,790,000	\$225,000
Compensated absences	142,671	-	(3,108)	139,563	31,000
<b>Totals</b>	<b><u>\$7,932,671</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (3,108)</u></b>	<b><u>\$7,929,563</u></b>	<b><u>\$256,000</u></b>

Long-term debt at September 30, 2005 is comprised of the following individual obligations:

Michigan Transportation Fund Bonds (2003), payable  
in annual installments from \$105,000 to \$255,000,  
plus interest from 2.00% to 4.50% per annum;  
final payment due in October, 2027

\$ 3,765,000

Michigan Transportation Fund Bonds (2002), payable  
in annual installments from \$55,000 to \$290,000,  
plus interest from 3.75% to 5.125% per annum;  
final payment due in October, 2026

4,025,000

**Total bonds payable**

**7,790,000**

Accrued vacation and sick leave

139,563

**Total long-term debt**

**\$ 7,929,563**

Debt service requirements to maturity for the bonded indebtedness of the Road Commission are as follows:

Years Ending December 31	Principal	Interest	Total
2006	\$ 225,000	\$ 331,797	\$ 556,797
2007	225,000	325,284	550,284
2008	230,000	319,059	549,059
2009	240,000	311,869	551,869
2010	250,000	304,150	554,150
2011-2015	1,390,000	1,374,873	2,764,873
2016-2020	1,740,000	1,065,305	2,805,305
2021-2025	2,195,000	632,253	2,827,253
2026-2028	1,295,000	112,318	1,407,318
<b>Total</b>	<b><u>\$ 7,790,000</u></b>	<b><u>\$ 4,776,908</u></b>	<b><u>\$ 12,566,908</u></b>

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

At September 30, 2005, interfund receivables and payables were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 12,318
Special Revenue Fund:		
County Park Fund	<u>12,318</u>	<u>-</u>
	<u>\$ 12,318</u>	<u>\$ 12,318</u>

The Road Commission has interfund balances between its two funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The receivable from the parks special revenue fund to the general fund is due to payments made from the parks fund on behalf of the general fund expected to be reimbursed in the ensuing fiscal year.

### 6. DEFINED CONTRIBUTION PENSION PLAN

The Cass County Road Commission provides pension benefits for substantially all of its full-time employees through a defined contribution plan, called the Cass County Road Commission Retirement Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after completing one year of service. The plan requires the Road Commission to contribute, on behalf of each covered employee, seven percent (7%) of the employees' compensation, except overtime and disability payments made to hourly employees. Plan provisions and contribution requirements are established and may be amended by the Board of the Road Commission.

Participants may make voluntary contributions into the plan. The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (3) years of continuous service and fully vested after ten (10) years of continuous service. The employee contributions become fully vested at the time of their contribution to the plan. Road Commission contributions for, and interest forfeited by, employees who leave employment before ten years of service are used to reduce the Road Commission's current-period contribution requirement. Vesting is based on years of participation in the plan. If the employee withdraws from the plan, that period of time is not included as time vested.

The Road Commission made the required contribution to the plan, amounting to \$100,607 and employee contributions were \$98,199 for the nine months ended September 30, 2005.

# **CASS COUNTY ROAD COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **7. RISK MANAGEMENT**

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1982, the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) was established by the Road Commissions in the State of Michigan as a public entity risk pool to operate a common risk management and insurance program for Road Commissions. Cass County Road Commission pays quarterly premiums to MCRCSIP for its general insurance coverage. The agreement for formation of the MCRCSIP provides that MCRCSIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

During 1980, Cass County Road Commission began participating in the County Road Association Self-Insurance Fund (CRASIF), a public entity risk pool established to operate a common risk management and insurance program for Road Commissions. Cass County Road Commission pays premiums to CRASIF for its workers' disability compensation insurance coverage. The agreement for formation of the CRASIF provides that CRASIF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

Cass County Road Commission continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Management expects claims in excess of self-insurance coverage, if any, to be insignificant to the financial statements.

### **8. CONTINGENCIES**

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

The Road Commission has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit.

Management and legal counsel of the Road Commission expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

# CASS COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 9. RESTATEMENTS

Fund balances and net assets were restated at December 31, 2004 as follows:

	<b><u>General Operating Fund Balance</u></b>	<b><u>Net Assets</u></b>
Correction of Township account receivable - decrease	\$(16,016)	\$ (16,016)
Correction of capital asset balances for removal of sealcoat infrastructure book value	_____ -	_____(312,022)
<b>Total</b>	<b><u>\$(16,016)</u></b>	<b><u>\$(328,038)</u></b>

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## **OPERATING FUND SCHEDULES**



# CASS COUNTY ROAD COMMISSION

## SCHEDULE OF CHANGES IN FUND BALANCE GENERAL OPERATING FUND

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

	<b>PRIMARY ROAD FUND</b>	<b>LOCAL ROAD FUND</b>	<b>COUNTY ROAD COMMISSION</b>	<b>TOTALS</b>
TOTAL REVENUE	\$ 2,238,213	\$ 3,849,703	\$ 183,339	\$ 6,271,255
TOTAL EXPENDITURES	<u>2,819,219</u>	<u>4,322,841</u>	<u>(244,525)</u>	<u>6,897,535</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(581,006)</u>	<u>(473,138)</u>	<u>427,864</u>	<u>(626,280)</u>
OTHER FINANCING SOURCES (USES) Internal transfers	<u>(473,138)</u>	<u>489,154</u>	<u>(16,016)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,054,144)	16,016	411,848	(626,280)
FUND BALANCE, beginning of year as restated	<u>1,742,119</u>	<u>(16,016)</u>	<u>812,640</u>	<u>2,538,743</u>
FUND BALANCE, end of year	<u><u>\$ 687,975</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,224,488</u></u>	<u><u>\$ 1,912,463</u></u>

# CASS COUNTY ROAD COMMISSION

## SCHEDULE OF REVENUES GENERAL OPERATING FUND

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	<b>PRIMARY ROAD FUND</b>	<b>LOCAL ROAD FUND</b>	<b>COUNTY ROAD COMMISSION</b>	<b>TOTALS</b>
Intergovernmental:				
State:				
Michigan transportation fund:				
Engineering	\$ 6,009	\$ 3,991	\$ -	\$ 10,000
Allocation	1,991,955	1,324,041	-	3,315,996
Urban roads	187,484	43,869	-	231,353
Other	29,509	620,000	-	649,509
Contributions:				
Townships	-	1,855,100	42,777	1,897,877
Other	-	-	491	491
Other revenue:				
Charges for services	1,899	2,702	2,866	7,467
Permits			26,934	26,934
Net gain on equipment disposal	4,109	-	86,319	90,428
Interest	17,248	-	9,695	26,943
Other	-	-	14,257	14,257
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUE</b>	<b><u>\$ 2,238,213</u></b>	<b><u>\$ 3,849,703</u></b>	<b><u>\$ 183,339</u></b>	<b><u>\$ 6,271,255</u></b>

# CASS COUNTY ROAD COMMISSION

## SCHEDULE OF EXPENDITURES GENERAL OPERATING FUND

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	<b>PRIMARY ROAD FUND</b>	<b>LOCAL ROAD FUND</b>	<b>COUNTY ROAD COMMISSION</b>	<b>TOTALS</b>
Primary road:				
Heavy maintenance	\$ 667,613	\$ -	\$ -	\$ 667,613
Construction	19,759	-	-	19,759
Maintenance	762,282	-	-	762,282
Local road:				
Heavy maintenance	-	862,209	-	862,209
Construction	-	1,180,564	-	1,180,564
Maintenance	-	1,516,726	-	1,516,726
Primary winter:				
Maintenance	340,272	-	-	340,272
Local winter:				
Maintenance	-	399,644	-	399,644
Primary traffic control	128,716	-	-	128,716
Local traffic control	-	116,761	-	116,761
Equipment expense - net	(45,639)	(84,513)	(69,495)	(199,647)
Administrative expense - net	149,631	317,872	-	467,503
Capital outlay - net	795,053	-	(676,399)	118,654
Debt Service:				
Interest	-	-	331,796	331,796
Other:				
Miscellaneous	1,532	13,578	169,573	184,683
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,819,219</b>	<b>\$ 4,322,841</b>	<b>\$ (244,525)</b>	<b>\$ 6,897,535</b>



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



December 9, 2005

The Board of County Road Commissioners  
of Cass County, Michigan  
Cassopolis, Michigan

We have audited the financial statements of Cass County Road Commission for the nine months ended September 30, 2005, and have issued our report thereon dated December 9, 2005. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Cass County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cass County Road Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Cass County Road Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Cass County Road Commission' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Cass County Road Commission, either individually or in the aggregate, indicate matters that could have a significant effect on Cass County Road Commission' financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Cass County Road Commission' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is are intended for the use of the Board of County Road Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Lehmann Lohman".